Development (1948) Department

MS SERIES

G.O. No.	430
Dated	9-2

[Despatch Abstract]

ACTS AND RULES : COOPERATIVE SOCIETIES ACT : RULES : RULE XXXII.A

APPOINTMENT OF PAID SECRETARIES TO LAND MORTGAGE BANKS : DRAFT

AMENDMENT PUBLISHED

From
Sri Rao Bahadur J.C.Ryan, M.A.,
Registrar of Co-operative
Societies, Madras.

To
The Secretary to Government
Development Department,
Fort St. George, MADRAS.

No. R.C. 8285/47-J dated the 11th January 1948.

Sir,

Sub: ACTS AND RULES - Rule XXVII-A of the Rules framed under the Madras Co-operative Societies Act VI of 1932 - Appointment of paid Secretaries in Land Mortgage Banks - Amendment.

Ref: (1) G.O. No.0080 (164-S) Dev. dated 30th May 1942
(2) Government (Dev.) Memorandum No.8041-B.II/47-1 dated 27.2.1947
(3) My letters No.18277/46-V2 dated 30-4-47 and 11-10-1947.

In continuation of my letter cited, I submit below my remarks on the resolution No. 13 passed at the 26th Madras Provincial Co-operative Conference communicated to me in the Memo first cited. The resolution is extracted below:-

RESOLUTION NO.13: "This Conference resolves to request Government that in view of the slender margisn, Rule 27-A of the Rules framed under the Madras Co-operative Societies Act VI of 1932 be amended so as to make the appointment of paid secretaries obligatory only in the case of primary banks having a minimum loan business of Rs. 5 lakhs."

Rule XXVII-A directs that every land mortgage bank which has loans outstanding from its members to the extent of not less than rupees three lakhs shall appoint a paid Secretary and he shall not be a member of its committee or the financing bank.

2. Out of 119 primary land mortgage banks at present, 27 banks are having loan outstandings of not less than Rs. 3 lakhs and they come under the operation of Rule XXVII-A. All except the Nellore and the Vadalamannadu Land Mortgage Bank have appointed paid Secretaries. The Nellore Land Mortgage Bank applied for exemption from the operation of the rule and I am examining it. Besides, two other Banks at Rajahmundry and Gannavaram continue to have paid Secretaries even though their outstandings fall below Rs. 3 lakhs.

3. As Government are aware, the margin of profits in Land Mortgage Banks is only one percent and they cannot therefore afford to engage a large staff. This is the main source of income to the Bank out of which it will have to meet the entire cost of its administration including establishment charges. Some banks have represented that the operation of the rule is rather harsh. To cite an example, the Nellore Land Mortgage Bank has requested me to exempt it from the operation of the rule. A similar request has also been made by the Vadlamannadu Land Mortgage Bank. The adoption of the rule may prove a hindrance to some of the banks. Besides, if the loan outstandings were to go down below Rs. 3 lakhs, the services of a paid secretary cannot be dispensed with except with my sanction. The only remedy to eradicate the difficulty would be to raise the limit of Rs. 3 lakhs.

Secondly, the primary land mortgage banks have been found forced to pay revised scales of pay and dearness allowance to their employees on account of the high cost of living and other conditions. The following revised scales have been recommended to the primary land mortgage banks for adoption in consultation with the Madras Co-operative Central Land Mortgage Bank Ltd.

remaining Banks will also do so. The general increase in the establishmen charges has been a serious drain on the income of the banks.

Thirdly, there has been a fall in the trasactions of the Bank in the past and they are only now graining strength. It is important and necessary that they should not be taxed unduly with heavy establishment charges.

4. The Profits of Land Mortgage Banks do not always depend upon the loans outstanding against the members. A statement showing the names of the Banks coming under the operation of Rule XXVII-A, the loans outstanding against the members and the profits earned by them is enclosed. It may be observed that Rajahmundry Land Mortgage Bank which had got a loan outstanding of Rs. 2.9 lakhs declared a net profit of Rs. 2,410 whereas the Palni Land Mortgage Bank with a loan outstanding of Rs. 6.52 lakhs could declare only Rs. 1,621. The Trichengode Land Mortgage Bank (not included in the statement) with a loan outstanding of Rs. 2.28 lakhs earned a net profit of Rs. 1,584 which is nearly equal to the profits declared by the Palni Land Mortgage Bank with nearly 3 times the outstanding of the Trichengode Land Mortgage Bank. It is therefore evident that the profit earning capacity of a primary land mortgage Bank does not always depend upon the loans outstanding against members because even banks having loan transactions over Rs. 3 lakhs are not able to declare decent profits.

5. A statement of the possible income and expenditure is given hereunder which shows that a Bank with loan transaction of Rs. 3 lakhs will not be able to maintain a paid Secretary.

Income.	Rs	Expenditure.	
1. Income at 1% of the loans outstanding of Rs.3 lakhs.	3,000	1.Establishment - Secretary 60 x 12.	720
2. Income at 4% on the share capital of Rs.15,000	600	2.Supervisor 40 x 12 ..	480
		3.Fixed T.A. 20 x 12 ..	240
		Clerk 40 x 12 ...	480
		2 peons 2 x 15 x 12 ..	360
		Dearness allowance.	
		1 x 18 x 12 216	
		4 x 16 x 12 768	984
		Provident Fund contributions	115
		2.Rent 15 xs 12	180
		3.Contingencies including Audit Fees.	600
	3,600		4,159

It may be observed that there will be a deficit of over Rs.550 per annum.

6. This subject was considered by the representatives of the primary Land Mortgage Banks at the Conference held on 19th January 1947 and the following resolution was adopted:

RESOLUTION NO.19: "Resolved to request the Government that Rule XXVII-A framed under the Madras Co-operative Societies Act requiring the appointment of paid Secretaries to primary land mortgage banks be amended raising the minimum loans outstanding from Rs. 3 lakhs to Rs. 5 lakhs.

RESOLUTION: Referred to the Board of Directors of the Central Land Mortga Bank.

The Board of Directors of the Central Land Mortgage Bank considered the above resolution and passed the following resolution at their meeting held on the 27th April 1947:-

"Option may be given to the primary banks with transactions upto four lakhs of rupees to have either an honorary secretary or a paid secretary. However, banks with loan transactions of rupees four lakhs and above should necessarily appoint a paid Secretary. Government be requested to amend the rule suitably."

The transactions of the Land Mortgage Banks consist of a limited

number of compratively big loans in comparison with the Central Banks and Urban Banks and repayments come at regular periodical intervals. The Land Mortgage Banks generally issue loans to a fairly wide area.

7. The Deputy Registrar for Land Mortgage Banks were also consulted in the matter and they have recommended that the relaxation may be done without jeopardising the efficient working of the banks and safety of its funds.

8. The representatives of the primary banks who were present at the conference held on 19-1-1947 were of the opinion that it would be possible for honorary workers to carry on the management in the banks with loan transactions upto Rs. 4 lakhs. In the circumstances stated, I submit that Government may be pleased to fix the limit at Rs. 4 lakhs under Rule XXVII in respect of land mortgage banks only for a period of two years and necessary amendment be issued to the rules framed under the Madras Co-operative Societies Act VI of 1932. The position may be reviewed at the end of this period.

Sd/. for Registrar

Sl. No.	Name of primary banks working under Rule XXVII.	Loan outstandings as on the 30th June 1948.		Net profit earned during 1946-47	
		Rs		Rs	
1	Bhimavaram	6,57,950		3,252	
2	Palni	6,52,935		1,621	
3	Gobi	6,09,917		3,489	
4	Uthmapalayam	5,77,133		2,044	
5	Udumalpet	5,77,111		3,759	
6	Peelamedu	5,45,853		4,154	
7	Amalapuram	5,20,132		1,943	
8	Tiruppur	4,93,372		2,432	
9	Pollachi	4,87,659		3,676	
10	Alamuru	4,73,683		775	
11	Razole	4,68,511		194	
12	Ellore	4,39,000		2,019	
13	Periyakulam	4,39,956		1,587	
14	Vuyyur	4,27,837		1,722	
15	Madurantakam	4,24,429		877	
16	Chittoor	4,21,981		1,062	
17	Guddavalleru	4,17,215		2,956	
18	Tiruvalur	4,14,732		2,200	
19	Sulur	3,90,756		2,342	
20	Narasapur	3,61,449		772	
21	Kumbakonam	3,55,065		1,242	
22	Nandyal	3,44,905		855	
23	Vadlamannadu	3,39,630		591	
24	Erode	3,29,609		1,328	
25	Nellore	3,17,139		10	
26	Ramachandrapuram	3,02,387	Loss	11,016	1025
27	Tadepallegudam	3,00,769	Loss	11,016	
28	Rajahmundry	2,92,351		2,410	
29	Gunnavaram	2,54,111		609	

GOVERNMENT OF MADRAS
Abstract.
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ACTS AND RULES - Co-operative Societies Act - Rules - Rule XXVII-A Appointment of paid Secretaries to land mortgage banks - Draft amendment - Published.

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Development Department

G.O. (Ms) No. 630 Dated, the 9th February 1948
READ - the following:-

G.O. (Ms) No. 1080 (164-S) Dev. dated the 30th May 1942
From the Registrar of Co-operative Societies, No. RC.8258/47-J dated the 11th January 1948.

ORDER:

The following notification will be published in the Fort St. George Gazette:-

NOTIFICATION.

The following draft of an amendment to the rules published with Development Department Notification No. 268, dated the 1st August 1933, at pages 1178 to 1185 of Part I of the Fort St. George Gazette, dated the 1st August 1933, as subsequently amended, which it is proposed to make in exercise of the powers conferred by section 65 of the Madras Co-operative Societies Act, 1932 (Madras Act VI of 1932), is hereby published for the information of all persons likely to be affected thereby, as required by sub-section (3) of the said section.

Notice is hereby given that the draft will be taken into consideration on or after the 19th March 1948 and that any objection or suggestion which may be received with respect thereto from any person before that date will be considered by the Government of Madras.

DRAFT AMENDMENT.

In rule XXVII-A of the said rules, for the words "rupees three lakhs" the words "Rupees four lakhs" shall be substituted.

2. The Registrar of Co-operative Societies is requested to review the position and submit a report to the Government after the rule as now amended has been in operation for a period of two years.

(By order of His Excellency the Governor)

K.G. MENON
Secretary to Government

To the Registrar of Co-operative Societies.
To the Accountant-General through the Finance Department.
To the Superintendent, Government Press, for publication of the notification in Fort St. George Gaxettee.

/True copy/

Superintendent,
Madras Record Office, Egmore